

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

Voluntary - Public

Clearance Office: Office of Global Analysis (OGA)

Date: 3/18/2009

GAIN Report Number: KS9007

Korea - Republic of

Post:Seoul

Sugar Update

Report Categories:

Sugar

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Report Highlights:

MY08/09 sugar consumption is forecast at 1.07 million metric tons, down 90,000 metric tons from the previous year as food processors and beverage manufactures switch to less expensive HFCS. In response to growing consumer demand, the food and beverage industry have started demanding HFCS made from non-GM corn. MY08/09 raw sugar imports, which are forecast at 1.55 million metric tons, could climb slightly higher pending the availability of non-GM corn.

General Information:

Korea imports around 1.3 to 1.4 million tons of raw sugar annually for refining. Most of the refined sugar that is produced is used domestically with only a small portion for export. Meanwhile, about 180,000 tons of raw sugar is imported for lysine and MSG production.

Three local sugar refiners – CJ, Samyang and TS - account for 99 percent of the Korean sugar market. CJ is the largest refiner accounting for nearly half of the refined sugar market in Korea, followed by Samyang with 30 percent and TS with 20 percent of the market. These three companies, which are entirely dependent on imported raw sugar, are closely monitored by the government since the refined sugar price affects the price of locally produced processed food products that contain sugar.

The beverage and food industries account for 25 percent and 30 percent of total sugar consumption, respectively. Meanwhile, direct home and institutional use accounts for 35 percent of consumption. The most popular package size for home use is a one kilogram package. Small restaurants prefer 3 kilogram bags, while larger restaurants and food service institutions prefer the 15 kilogram bags.

Consumption:

Annual sugar consumption has remained relatively steady for the past 10 years at about 1 million metric tons. Annual per capita sugar consumption is 21-22 kilograms, which is still lower than other developed countries in large part because Korean consumers are very health conscious. This healthy lifestyle trend is expected to continue, with per capita sugar consumption holding relatively steady for the foreseeable future.

MY08/09 sugar consumption is forecast at 1.07 million metric tons, down 90,000 metric tons from the previous year because HFCS is now cheaper than sugar. Consumption is also down because consumers are cutting back on spending in light of the tough economic situation.

The local food and beverage industries continue to shift between sugar and HFCS, when possible, as prices of these commodities fluctuate. In MY07/08, sugar consumption increased 100,000 metric tons to 1.1 million metric tons mainly because sugar was cheaper than using HFCS. The switch to sugar was also driven by growing public concern over processed foods and beverages containing ingredients derived from biotech crops. In response to this mounting pressure, the larger food and beverage companies banded together and publicly announced that they would no longer use ingredients made from GM crops.

In addition, the government in response to comments by local consumer groups introduced a draft measure to expand GM labeling requirements to products containing oils and syrups, such as HFCS, derived from GM crops. This planned labeling change will be phased-in over several years.

This planned change, if implemented, is expected impact both imported and locally produced processed products. In particular, the local food and bottling industries are expected to increase their demand for sugar if supplies of HFCS made from non-GM corn run low.

The government recently announced draft nutritional standards for children's foods targeted at reducing childhood obesity and other related health problems. If this measure is approved, sugar consumption would only fall slightly as producers are expected to resize product packaging and portion sizes.

Trade:

More than 70 percent of raw sugar imports are sourced from Australia because of geographical proximity and relatively stable supplies. Local sugar refiners are expanding imports from Brazil and Guatemala in order to minimize their dependency on Australia. Korea also imports a small amount of beet sugar from the European Union for use in compound animal feed production.

MY08/09 raw sugar imports are forecast at 1.55 million metric tons, down nearly 70,000 metric tons from last year. The drop in imports, as noted previously, is due to cheaper priced HFCS and the downturn in the economy.

Raw sugar imports are subject to a 3 percent duty. A higher duty of 35 percent, which has remained fixed since 2007, is levied against refined sugar imports in order to protect the local sugar refining industry. This duty on refined sugar was previously 50 percent, but has been lowered in recent years at the request of the local food processing industry, which is trying to cut productions costs.

Meanwhile, Korea exported 330,000 metric tons (raw value) of refined sugar mainly to China, Hong Kong and Singapore.

Production, Supply and Demand Data Statistics :

Sugar, Centrifugal Korea, Republic of	2007			2008			2009		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Sep 2006			Market Year Begin: Sep 2007			Market Year Begin: Sep 2008		
	Annual Data Displayed	New Post	Data	Annual Data Displayed	New Post	Data	Annual Data Displayed	Jan	Data
Beginning Stocks	150	150	150	245		120	160		120
Beet Sugar Production	0	0	0	0		0	0		0
Cane Sugar Production	0	0	0	0		0	0		0
Total Sugar Production	0	0	0	0		0	0		0
Raw Imports	1,680	1,680	1,555	1,510		1,621	1,560		1,550
Refined Imp.(Raw Val)	0	0	0	0		0	0		0
Total Imports	1,680	1,680	1,555	1,510		1,621	1,560		1,550
Total Supply	1,830	1,830	1,705	1,755		1,741	1,720		1,670
Raw Exports	0	0	0	0		0	0		0
Refined Exp.(Raw Val)	340	340	395	325		329	330		296
Total Exports	340	340	395	325		329	330		296
Human Dom. Consumption	1,110	1,205	1,005	1,135		1,107	1,140		1,069
Other Disappearance	135	135	185	135		185	135		185
Total Use	1,245	1,340	1,190	1,270		1,292	1,275		1,254
Ending Stocks	245	150	120	160		120	115		120
Total Distribution	1,830	1,830	1,705	1,755		1,741	1,720		1,670
TS=TD			0			0			0
Comments									
AGR Number									
Comments To Post									

Korea: Refined Sugar Production

(Unit: 1,000 MT)

Calendar Year	2003	2004	2005	2006	2007	2008 1/
Volume	1,283	1,309	1,323	1,303	1,324	1,429
Change	0.5%	1.9%	1%	-1.5%	1.6%	+7.9%

1/ Estimated refined sugar production by FAS Seoul

Source: Korea Sugar Association

Korea: HFCS Production by Corn Wet Millers

(September - August, Unit: 1,000 MT)

Marketing Year	Production	Raw Sugar Equivalent	Change
1997/1998	321	263	-
1998/1999	329	270	2.53%
1999/2000	385	316	16.90%
2000/2001	427	350	10.84%

2001/2002	480	394	12.50%
2002/2003	432	354	-10.10%
2003/2004	451	370	4.52%
2004/2005	424	348	-5.90%
2005/2006	418	343	-1.40%
2006/2007	403	331	-3.50%
2007/2008	265	218	-34.10%

Source: Korea Corn Processing Industry Association (KOCPIA)

Author Defined:

Prices

The government started a program to monitor sugar and other food prices in early 2008 when commodity prices were spiraling upward in order to ensure fair and even prices in the marketplace. Raw sugar import prices at the end of CY08 increased about 28 percent from previous year. In November 2008, sugar refiners raised their prices by 15 percent to reflect these higher import costs.

This price hike eventually filtered down to consumers in the form of higher priced processed foods and beverages. For example, Coca-Cola Korea raised soda prices 4 to 7 percent and juice prices by 10 to 12 percent starting in January 2009. Other domestic beverage companies that planned to increase their prices will likely hold-off since the Korea Fair Trade Commission recently announced that it was investigating whether the nation's top beverage companies were involved in price fixing. The companies under investigation claim that prices were raised because of a weaker won and higher input costs.

Korea: Refined Sugar Wholesale Price

Date	Jan. 2006	Mar. 2006	Jul. 2006	Dec. 2006	Dec. 2008
Price (US\$ / Kg)	0.840	0.820	0.977	0.958	0.728
Price (KRW / Kg)	829	800	933	887	1000
Change	N/A	-3.5	16.6	-4.9	12.7
Exchange Rate (KRW / US\$)	987.07	975.09	955.16	925.75	1373.84

Note: Wholesale sugar price is based on 15 Kg package

Source: Korea Price Research Center (KPRC)

Korea: Import Price of Raw Sugar

H.S. Code: 170111(US\$/MT, CIF1/)

Month	CY2006	CY2007	CY2008	Change	Exchange Rate 2/
January	284	344	277	-19.5%	942.39
February	315	325	289	-11.1%	944.69
March	338	310	299	-3.5%	979.86
April	380	300	316	5.3%	986.66
May	399	307	333	8.5%	1036.73

June	404	290	337	16.2%	1029.27
July	401	276	346	25.4%	1019.12
August	393	276	345	25.0%	1041.54
September	391	259	322	24.3%	1130.4
October	408	275	334	21.5%	1326.92
November	367	277	356	28.5%	1390.09
December	351	280	358	27.9%	1373.84

1/: Cost, Insurance and Freight

2/: Korean Won / US Dollar

Source: Korea Trade Information Service (KOTIS)

Korea: Export Price of Refined Sugar

H.S. Code: 170199(US\$/MT, FOB1/)

Month	CY2006	CY2007	CY2008	Change	Exchange Rate 2/
January	358	408	397	-2.7%	942.39
February	389	411	397	-3.4%	944.69
March	392	395	417	5.6%	979.86
April	437	389	454	16.7%	986.66
May	439	373	450	20.6%	1036.73
June	451	377	464	23.1%	1029.27
July	479	367	465	26.7%	1019.12
August	468	374	462	23.5%	1041.54
September	444	371	473	27.5%	1130.4
October	438	376	464	23.4%	1326.92
November	439	389	490	26.0%	1390.09
December	422	383	464	21.1%	1373.84

1/: Free on Board

2/: Korean Won / US Dollar

Source: Korea Trade Information Service (KOTIS)

Korea: Import Price of Corn for Processing by Month

(Unit: US Dollar / MT, CIF 1/)

H.S. code: 1005909000

Month	CY2006	CY2007	CY2008	Change	Exchange Rate 2/
January	144	171	299	74.9%	942.39
February	143	173	341	97.1%	944.69
March	138	178	361	102.8%	979.86
April	140	203	368	81.3%	986.66
May	147	220	329	49.5%	1036.73
June	154	223	325	45.7%	1029.27
July	154	226	350	54.9%	1019.12
August	155	229	340	48.5%	1041.54
September	156	234	361	54.3%	1130.4
October	160	234	372	59.0%	1326.92
November	163	245	367	49.8%	1390.09
December	165	277	379	36.8%	1373.84

1/: Cost, Insurance & Freight

2/: Korean Won / US Dollar

Source: Korea Trade Information Service (KOTIS)

